

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7925

BILL NUMBER: SB 269

DATE PREPARED: Jan 8, 2001

BILL AMENDED:

SUBJECT: Sales and Use Tax Administration.

FISCAL ANALYST: John Parkey

PHONE NUMBER: 232-9854

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill enacts the Uniform Sales and Use Tax Administration Act. It directs the Department of State Revenue to enter into the Streamlined Sales and Use Tax Agreement with other states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce. The bill authorizes the Department to act jointly with other states that are members of the agreement to establish standards for certification of certified service providers and certified automated systems and to establish performance standards for multistate sellers. The bill specifies certain requirements that must be included in the Streamlined Sales and Use Tax Agreement before the state of Indiana may enter into the agreement. The bill includes certain provisions concerning certified service providers (an agent certified jointly by the states to perform all of a seller's sales tax functions). The bill also includes certain provisions concerning certified automated systems (the software certified jointly by the states to calculate the tax imposed by each jurisdiction on a transaction, to determine the amount of tax to remit to the appropriate state, and to maintain a record of the transaction).

Effective Date: July 1, 2001.

Explanation of State Expenditures: This bill will have a minor administrative impact on the Department of State Revenue. The administrative costs and staff time required by this bill are expected to be absorbed using the Department's existing staff and resources.

Explanation of State Revenues: This bill will not impact current sales tax revenue collections. The bill specifies that adoption of an agreement by Indiana does not amend or modify any Indiana law.

Background: The Streamlined Sales Tax Project is an attempt to address the growing problem of collecting sales and use taxes on goods purchased via the internet, catalogs, and other remote sellers. As of September 11, 2000, 27 states have formally joined the Streamlined Sales Tax Project through legislative enactments or executive orders. The project seeks to remove the burden of collecting sales taxes from remote sellers

through a simplification of state sales and use tax structures, which would be applied in a more uniform way. Participation in the project would be voluntary for both remote sellers and states. The system would use certified technology providers to calculate, collect, and, should the seller choose, remit the proper sales or use tax directly to the state.

In theory, removing the burdens of collecting sales taxes from remote sellers would help the state collect sales taxes that currently go uncollected. Studies have estimated a wide range in the amount of revenue that Indiana may forgo because of uncaptured taxes on remote sales. Estimates from the United States General Accounting Office range from \$134 M to \$ 444 M, while other researchers have estimated the loss from internet sales alone at approximately \$174 M.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Loan Fund (0.04%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Tom Conley, Department of State Revenue, (317) 232-2107; Williams, Graham. "Streamlined Sales Tax for the New Economy," *NCSL Legisbrief* Nov./Dec. 2000; *State Budget and Tax News*, Vol.19, No. 4, February 15, 2000; US General Accounting Office, *SALES TAXES-Electronic Commerce Growth Presents Challenges; Revenue Losses Are Uncertain*, June 2000, GAO/GGD/OCE-00-165.